

Originating Access Rate Reform and VOIP Terminating Traffic

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Changes to Originating Access Would be Inconsistent with the Order's Intent

- Frontier and Windstream filed a Petition for Clarification asking the FCC to confirm that VoIP-terminating traffic remains subject to the appropriate jurisdictional origination access rates
 - Some parties have claimed that the FCC's Reform Order would subject all such traffic to the interstate rate
 - Tariff challenges are now pending in each of Frontier's 27 states of operation; FCC action is needed
- There was no discussion of originating access rate changes related to VoIP traffic prior to the Order's release
- The Order repeatedly states that the FCC has deferred consideration of originating access reform
- The Order does not allow for recovery of any such impacts despite its stated desire to avoid "flash-cuts"

Arbitrage Opportunities and Impacts

- Frontier has no way of knowing the technology of the provider terminating the call
 - IXC's would be incented to overstate the amount of VoIP-terminating traffic in order to pay a lower rate
- This is a long-term arbitrage problem
 - Unlike terminating access, there is no transition in place to harmonize intrastate and interstate rates
- Originating access jurisdiction has never been disputed for calls that terminate on the PSTN or VoIP
 - The exact impact of a flash-cut to interstate originating access rates for traffic terminating as VoIP is difficult to assess
- Because no recovery is contemplated, such a change would have an immediate meaningful adverse revenue impact
- Potentially “offsetting” impacts have yet to be realized
 - Phantom traffic continues